
Department of Corrections

Introduction

The Department of Corrections manages the State's adult correctional facilities and the adult parole system. The Department also operates the Division of Correctional Industries, which manages various enterprise activities. Those activities include a furniture manufacturing facility, various farming and ranching facilities, Colorado state forms production and distribution facilities, an automotive service station, the State's license plate manufacturing facility, and management of the State's surplus property received from the federal government and other state agencies. The Department also operates the Prison Canteen, which sells various sundries to inmates at the various correctional facilities.

The Department expended approximately \$264 million for Department operations and approximately \$31.5 million for its Correctional Industries.

Administrative offices for the Department are located in Cañon City and Colorado Springs. Correctional facilities are located throughout the State and include Buena Vista, Cañon City, Denver, Pueblo, Limon, Ordway, Delta, and Rifle.

The following comments were prepared by the public accounting firm of Grant Thornton LLP, who performed audit work at the Department of Corrections.

Report Surplus Property Received From the Federal Government Correctly

The Department completes a General Services Administration (GSA) Report of Surplus Property (Form 3040) each quarter of the fiscal year. This report details the beginning inventory amount of federal surplus property on hand at the Department, from what types of entities the receipts of the property came, to what types of entities the property was donated, whether items were sold or destroyed, and the ending inventory of federal surplus property on hand. The Form 3040 reports receipts, distributions, and inventory at federal original acquisition cost (cost). The Schedule of Expenditures of Federal Awards is completed using this report with receipts, distributions, and deferred revenue reported at 23.3 percent of cost as prescribed by the General Services Administration. In reconciling the physical inventory on hand at June 30, 1997, to the Form 3040 ending inventory for the quarter then ended, we noted a difference of \$269,000 in original acquisition cost. We determined that the Department recorded a disbursement of equipment which had never been included as

a part of the inventory. Because the shipment was not originally recorded in inventory, but was recorded as a distribution on the Form 3040, the ending inventory on the Form 3040 for the quarters ended March 31, 1997, and June 30, 1997, was understated. Without appropriate records of federal surplus property inventory, the risk of misappropriation of assets increases. In order to ensure accurate reporting to the federal government, the Pharmacy should reconcile Form 3040 to the physical inventory each quarter prior to submission of the form.

Recommendation No. 1:

The Department of Corrections should ensure that all federal program reports are completed accurately to account for all transactions affecting those programs.

Department of Corrections Response:

Agree. The Department has implemented procedures to correct this problem. The supervisor of Surplus Property is ensuring that the original acquisition cost (OAC) on the perpetual inventory system is in agreement with the OAC on GSA Form 3040 prior to issuing the report to GSA.
